

**Written Testimony of the Honorable Rick Lazio before the  
House Government Reform Subcommittee  
on Federalism and the Census  
February 15, 2006**

Chairman Turner, Ranking Member Clay, Members of the Subcommittee, my name is Rick Lazio, and I am here today before the Subcommittee in my personal capacity. Thank you for inviting me to testify on “Living in America: Is Our Public Housing System up to the Challenges of the 21<sup>st</sup> Century,” and I appreciate your interest in a topic that has been of tremendous importance to me for more than a decade. It is gratifying to see the Subcommittee coming together in a bipartisan fashion to examine whether America is prepared to ensure an adequate supply of safe, affordable housing for our communities in the coming years.

**Reasons for Reform**

H.R. 2, The Quality Housing and Work Responsibility Act of 1998,<sup>1</sup> represented the culmination of work that spanned several Congresses to reform public housing policy. In taking aim at an appallingly outdated public housing system, many proponents of public housing reform shared an overarching goal of addressing poverty more broadly and a recognition that by historically addressing housing programs in a vacuum, the federal government had done little to address underlying causes of poverty. H.R. 2 was designed to bring about a true transformation of the role that public housing assistance plays in helping to lift people out of poverty, rather than entrench them in it.

By the 1990s, it was clear that a full review and revision of public housing policy was necessary. The 1937 Housing Act, which had formed the basis of housing policy for 60 years, was passed during the Great Depression to provide work for unemployed craftsmen and to shelter urban factory workers. By the 1980s, it had come to represent the worst of “one size fits all” solutions to low-income housing needs. Not only had the housing quality become dangerously inadequate, but outdated public policies had perversely worked to ensure that residents remained trapped and isolated in a culture of poverty.

In the worst examples, the level of unemployment among public housing residents was exceeded only by their hopelessness. I saw this firsthand when I traveled to the then-notorious “Desire” housing development in New Orleans during a 1996 Congressional fact-finding tour. Violent crime at the complex was so severe that my taxi driver refused to take me into the development for fear that I—and he—would be harmed. He had good reason to be concerned: “Desire” and the nearby “Florida” housing development had—decades after construction—achieved the dubious distinction of the highest murder rate in New Orleans, which itself had the highest murder rate in the nation.

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<sup>1</sup> President Clinton signed the Quality Housing and Work Responsibility Act of 1998, P.L. 105-276, part of the VA/HUD FY1999 appropriations bill, on October 21, 1998.

On several occasions, I visited the legendary projects of Chicago, mile after mile of public housing, where groups segregated by race and class lived behind their grimy walls with little hope of escape. With all the good intentions behind public housing programs, it was clear to me and other reform advocates such as Chicago mayor Richard Daley, that the system was failing its constituents. It wasn't just Desire. It was Robert Taylor, Cabrini Green, and numerous others in Chicago, Vaughn in St. Louis, Hayes and Walsh in Newark, New Jersey. In 1995, nearly 100 major Public Housing Authorities (PHAs) were considered "troubled" and many others had units in distress.

These searing visits inspired me to use my seat in Congress and my role as Chairman of the Subcommittee on Housing and Community Opportunity as a tool to work toward fundamental reform.

The goal seemed deceptively simple: to provide temporary, decent affordable housing to Americans in need; to locate the housing in communities that would provide opportunity and inspire residents toward economic independence; and to require accountability from both residents and public housing authorities. It was our hope that by reducing the concentrations of poverty and crime under the old system, we would at the same time ensure that new generations of Americans who happened to live in public housing did not find themselves trapped in an endless cycle of poverty and dependence. By introducing the concepts of mixed-income housing, government and individual accountability, private-public partnerships and local empowerment, we believed that we could truly transform public housing.

### **Direction of Reform**

Despite the change in Congress in 1994, a large bipartisan group in Congress and the Clinton Administration saw eye-to-eye on the need for reform and possible solutions. And the ultimate bill reflected both Republican and Democratic priorities: decentralization, flexibility, individual responsibility and meaningful cost-benefit analysis on the one hand and preserving or improving public housing stock, maintaining HUD, and providing needed services to residents on the other. To be sure, we spent significant time engaged in productive and intense committee and floor debate over the reforms. And as a result, our reform plan improved public and subsidized housing while providing more choices and chances for upward mobility among residents.

The reforms divided into two major areas. The first can be loosely described as public housing management. The second focused on altering the incentive structure for residents of publicly subsidized housing.

### **Public Housing Management**

PHAs had long complained of a hodgepodge of regulations and programs in a system so complex that it was all but impossible to provide quality housing to tenants. To change this, we eliminated all of the ancillary programs and combined them into two funds: the operating fund and the capital fund. We consolidated disparate sub-accounts into a single

fund for operating the housing projects. Likewise, we consolidated various funding streams into a single flexible capital fund-stream that could be leveraged more quickly to implement renovations and new construction. In addition, we gave PHAs greater management flexibility to remove regulatory impediments to providing safe and secure housing.

One of the biggest impediments to eliminating exhausted public housing stock was the “one to one” provision that required each unit of public housing taken offline to be replaced by another unit. Often entire blocks of units were left in horrendous condition because the PHA could not take them offline for lack of replacements. Furthermore, the funds to replace them simply did not exist under the old system. In the same way, entire projects that had become substandard also fell victim to this rule. Repeal of this single provision immediately paved the way for eliminating the most dangerous and substandard public housing in existence at the time. Under the bill, PHAs also became free to reorganize how they provided housing assistance. With the flexibility of the capital fund and expanded use of vouchers, most PHAs chose to strike a new balance between refurbishing existing projects, building new, more modern designs, and expanding housing options through vouchers.

H.R. 2 also provided greater flexibility to prospective public housing tenants by eliminating mandatory community-wide waiting lists. Under the old system, mandatory lists forced people into the first housing available or they would drop to the bottom of the list. The new site-based lists would give people more choice about where they would live. It also gave PHAs more information about the types of housing units in greatest demand and which units needed improvement.

### **Incentive Structure and Practicality**

Management changes were only part of what was required to transform public housing. The incentive structure also needed reform. While public housing residents suffered with quality and safety issues, they also struggled under rules that penalized personal initiative and did not reward personal responsibility.

Originally designed to be a stepping-stone for the working poor, public housing had instead become a permanent home for those with very low or no income. The well-intentioned “Brooke Amendment” exacerbated this situation. The 1969 Amendment was designed to ensure that PHAs could not charge unaffordable rents by capping rents at 25% of income (the ceiling was later increased to 30%). In a community of working class people where most already had jobs, the concept was at first seemingly beneficial, since it ensured that rents would remain low relative to current income.

However, as the public housing population shifted to the unemployed, and the underemployed, Brooke became an impediment to individual initiative and in many ways, responsible behavior. Individuals who chose to work, returned to work, or married a working individual were hit with a 30% tax on that new income stream in the form of a higher rent tied to their new income. In essence, Brooke became a steep “opportunity

tax” that, when combined with income and FICA taxes and other associated costs, made work a far less appealing proposition. In many communities this led to pervasive, extreme poverty along with a variety of other social ills. Also, the incentive to earn money under the table increased since not only would the income not be taxed, but it would also be omitted from the rent equation.

H.R. 2 gave tenants a choice between an income-based rent or a flat rent set by the PHA, so as not to discourage families who would attempt to become economically self-sufficient through employment. People could choose the lower of the two rents depending on individual circumstances.

But rule-based disincentives weren’t the only influence damaging the social fabric of public housing communities: the physical isolation of many public housing projects was another. The lack of jobs, services and positive role models both caused and reflected the despair of many PHAs. As a result, H.R. 2 attempted to de-concentrate poverty by creating environments where jobs and positive role models mixed with needy families and residents to create community stability. The goal was to create social dynamism and the upward mobility that comes with it.

All of us need access to services to be productive and secure. This is particularly true for the elderly and the disabled who need access to health services, food, and other essentials. Families need access to those same services as well as to education and jobs. The expansion and simplification of vouchers in H.R. 2 provided PHAs with greater flexibility in meeting the needs of tenants by allowing families more choice in where to live. In areas with fluid rental markets, families could choose to live nearer to work or to a good school.

However, we also recognized that for special needs populations or in tight rental markets, we had to maintain more of a project-based approach. In that case, we turned to options that encouraged the provision of services or the development of mixed-use projects near bus routes and other service providers.

## **Implementation**

I am not an expert on the implementation of this reform. You have assembled an impressive group of panelists who can address that in some detail. Nevertheless, my impression is that a consensus has developed that the reforms have been generally positive. Last year, I sat down with a young documentarian who was working on a piece about the Robert Taylor Homes and the impact of our housing reforms. As he explained to me, he began the process with some skepticism. However, after having witnessed the hopelessness of the Robert Taylor Homes firsthand, the difficult transition of some of the residents during the construction of new mixed-use and mixed-income developments, and the subsequent improvement in public housing communities, in the end he supported our reforms. I know that’s hardly scientific, but it is gratifying to me to hear how the results of our efforts have changed people’s minds—and lives.

## **Moving Forward**

I'm proud of my contribution to the reform effort, but more needs to be done. As the Congress deliberates over the next stage of reform and modernization, the demographic shift caused by the aging of the Baby Boomers needs to be front and center. Social Security and Medicare are not the only federal programs that will have to adjust. The aging wave will significantly change the composition and needs of public housing residents and present different challenges than those we faced in the 1990's.

As we discovered, grouping large numbers of the unemployed and those with very low or no income in large projects proved to be a disaster and was a major impetus for reform. The social implications of a high concentration of the elderly or disabled, however, are less problematic. Provided that quality units and services are available, locating people who need those services in a single location may in fact make the delivery of those services far easier and more efficient. Provided that seniors can live relatively independently and receive the services that help them do so, quality public housing can play an important role in meeting the needs of a country with a growing senior population.

According to the Council of Large Public Housing Authorities, more than half of public housing tenants are elderly or disabled.<sup>2</sup> Formulating policy for disabled residents should recognize that income mobility becomes less important than ensuring access to adequate services and a public housing environment that is conducive to their needs. Disabled and senior residents are less likely to achieve the same mobility out of a particular income class than society in general.<sup>3</sup> Additional efforts should keep these facts in mind.

Once again, I thank the Subcommittee for its attention to the continuing and ever-changing challenges of public housing, and also for its commitment to ensuring that America provides safe, decent, affordable housing to those in need.

Thank you.

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<sup>2</sup> <http://www.clpha.org/page.cfm?pageID=3>

<sup>3</sup> Though for the disabled, legislation like the Work Incentives Improvement Act was designed to help them become more self-sufficient.